



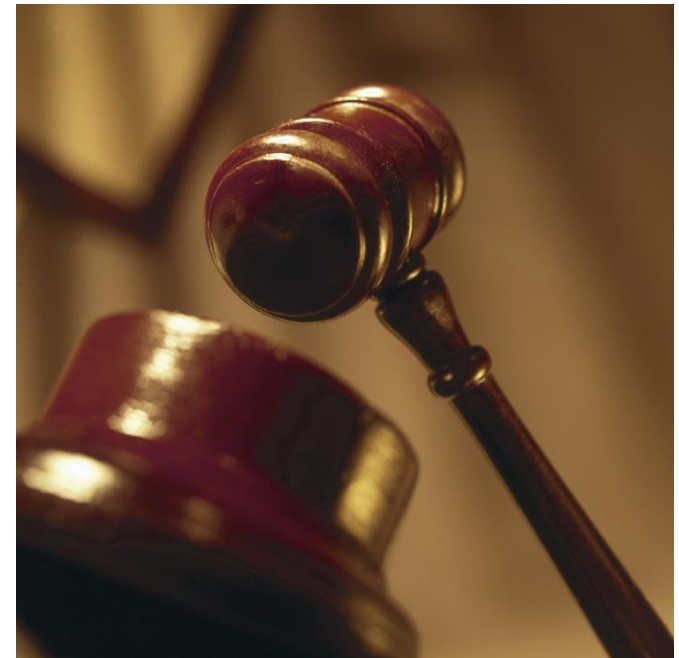
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# It's Time to Cross That Bridge:

## State Transportation Challenges and Opportunities in the Federal Context (II)



**Meeting of the New Mexico Transportation Infrastructure Revenue Subcommittee**

October 8, 2013

Jaime Rall, Senior Policy Specialist, NCSL Transportation Program



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# Transportation Funding Crisis



- **Chronic funding gaps**
- **Years of underinvestment**
- **Aging infrastructure**
- **Growing transportation demand**
- **Declining gas tax revenues**
- **Political reluctance to raise gas tax**
- **National recession**
- **State budget shortfalls**
- **Uncertainty of federal program**



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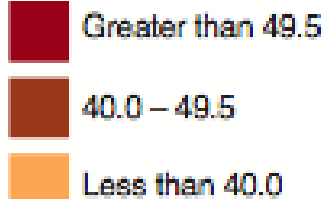
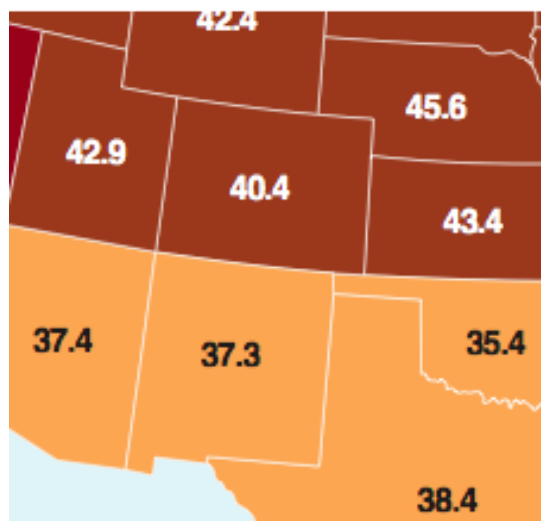
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## Gas and Diesel Tax Rates

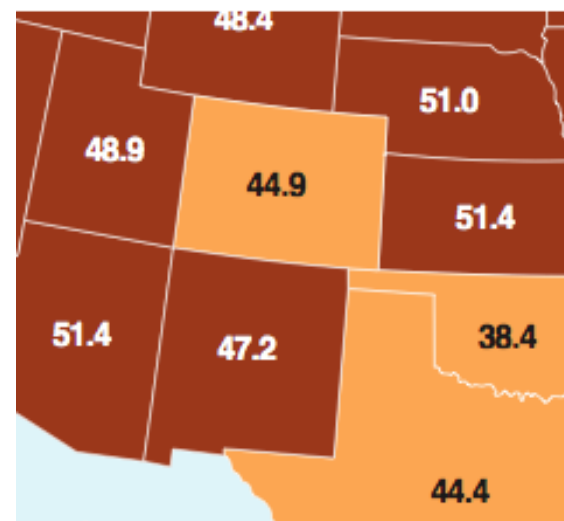
**New Mexico** has the **8<sup>th</sup> lowest combined gas tax** (federal and state) and the **14<sup>th</sup> lowest combined diesel tax** in the nation, well below national averages.

COMBINED GAS TAX



**U.S. AVERAGE: 49.5**

COMBINED DIESEL TAX



**U.S. AVERAGE: 55.0**

Source: American  
Petroleum Institute, 2013.

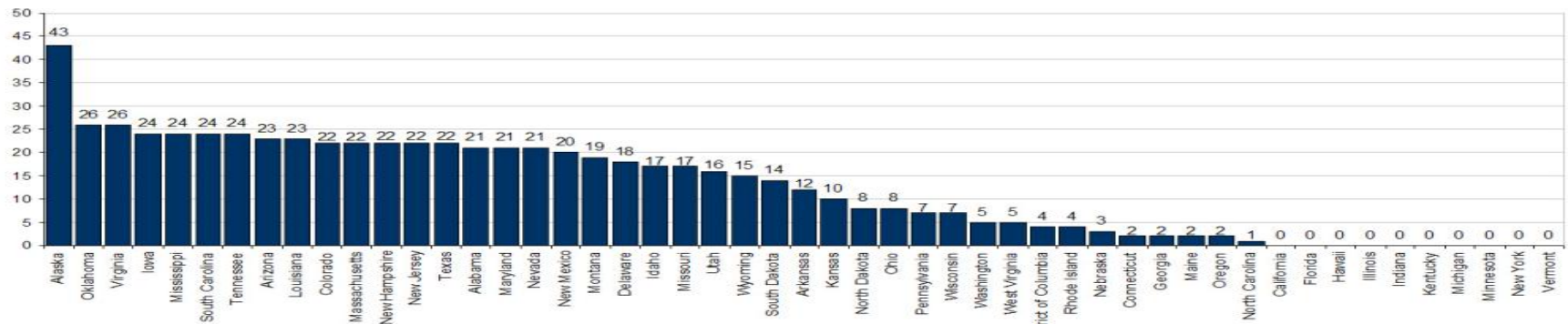


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## The Value of State Gas Taxes Has Fallen...



- As of Jan. 2013, 17 states had not raised gas taxes in **more than 20 years**
- No state had legislatively increased its gas tax in **2010, 2011 or 2012**
- After accounting for rising construction costs, the average state's gas tax had fallen by **20 percent** since last increase
- State gas taxes had fallen by a combined **\$10 billion each year**
- Often small increases were **lagging behind funding needs**

Sources: CSG, 2011;  
Institute on Taxation and  
Economic Policy, 2011 and  
2013; NCSL, 2012 and 2013.



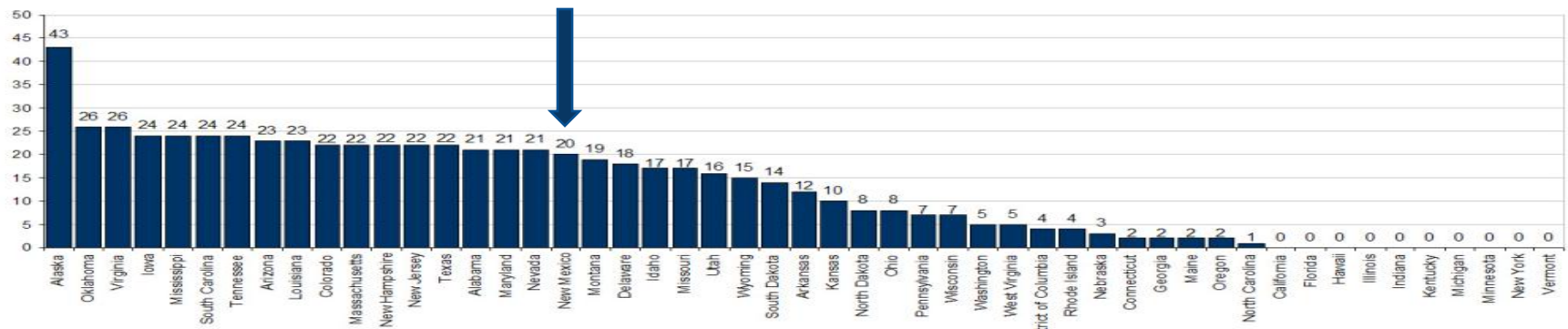


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## ...and New Mexico More than Most



Excise Tax	Years Since Last Increase (as of Dec. 2011)	% Change in Cost-Adjusted Rate Since Last Increase	Rate Change Needed to Return to Previous Level	Annual Revenue Yield of Rate Change
17.0 cpg	18 years	-54%	20.1 cpg	\$170.8 million



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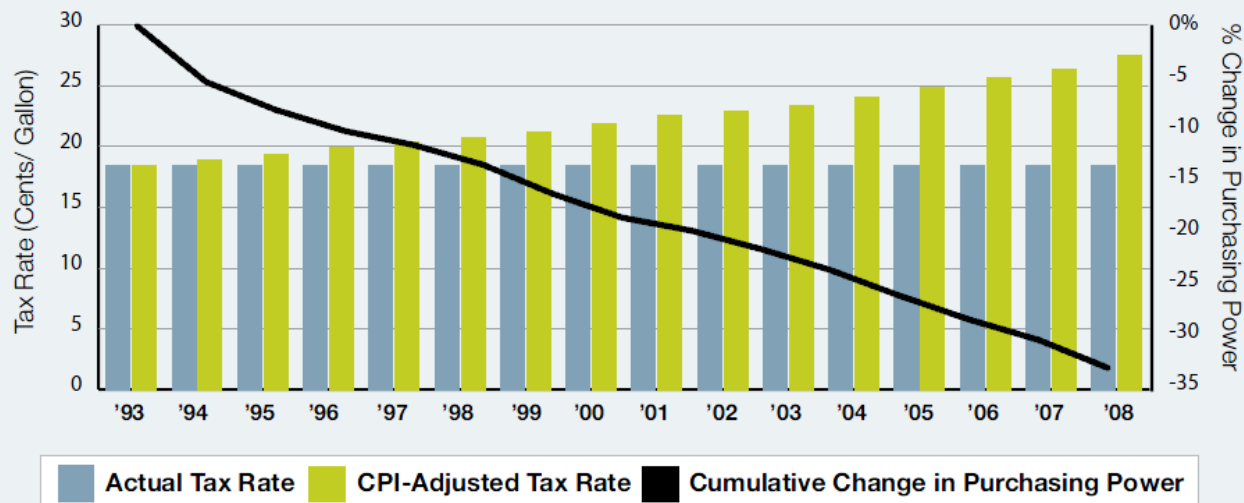
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# The Federal Gas Tax is Also Falling (for the Same Reasons)

**EXHIBIT 2-9: FEDERAL GASOLINE TAX RATE AND LOSS IN PURCHASING POWER**



Source: FHWA 2006 Highway Statistics, Table FE-21B, indexed using CPI-U as reported by the Bureau of Labor Statistics.



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# Transportation Faces Its Own Fiscal Cliff



Image from ridelust.com

- The current federal surface transportation law (MAP-21) lasts for **only 27 months**
- The federal Highway Trust Fund is predicted to reach **insolvency** sometime in FY 2015
- Legislators express **skepticism** about future help from the federal government





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## Costs of Underinvestment

AVIATION	D
BRIDGES	C <sup>+</sup>
DAMS	D
DRINKING WATER	D
ENERGY	D <sup>+</sup>
HAZARDOUS WASTE	D
INLAND WATERWAYS	D <sup>-</sup>
LEVEES	D <sup>-</sup>
PORTS	C
PUBLIC PARKS AND RECREATION	C <sup>-</sup>
RAIL	C <sup>+</sup>
ROADS	D
SCHOOLS	D
SOLID WASTE	B <sup>-</sup>
TRANSIT	D
WASTEWATER	D

- According to the ASCE, in 2010, deteriorating surface transportation infrastructure cost U.S. households and businesses **nearly \$130 billion** in vehicle operating, safety and environmental costs and time delays
- If current trends continue, these **costs will grow exponentially and accumulate** in coming years



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# Transportation Infrastructure Has Been a Top State Issue in 2013

- At least 285 relevant bills introduced in at least 39 states and D.C.
- Mentioned in at least 14 governors' "State of the State" addresses
- Identified by state legislative fiscal officers as one of the top fiscal issues for 2013 sessions



# Transportation Infrastructure Has Been a Top State Issue in 2013

- NCSL recognizes that the federal government plays a vital role and that the federal program should be continued and preserved ...
- ... at the same time, the key question has been:  
**How can states provide needed transportation infrastructure in a time of uncertainty ... with or without long-term, sustainable federal programs?**



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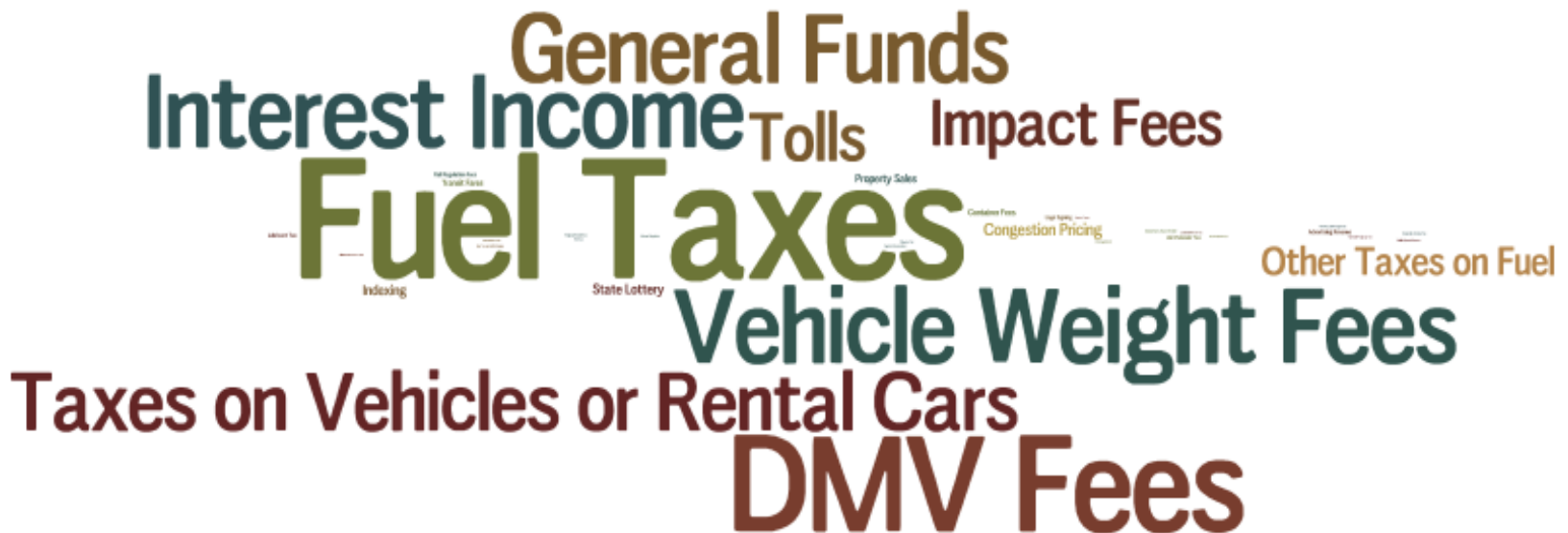
## What Options Do States Have?

- Funding
- Financing
- Efficiency,  
accountability and  
revenue-protection



Utah State Legislature image from Zau.

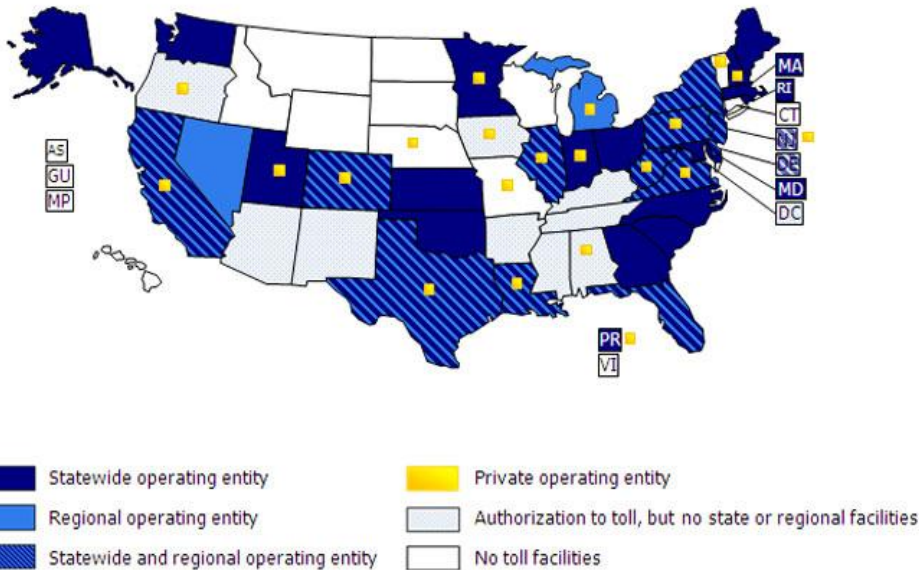




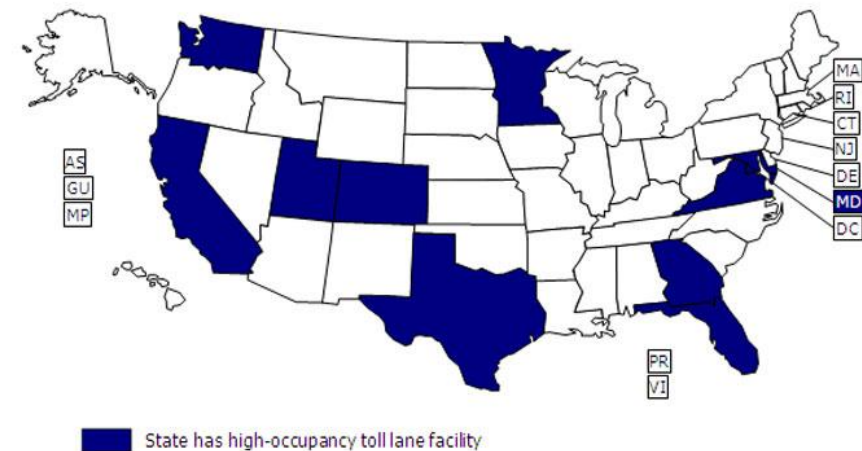


# Toll Facilities and HOV/HOT Lanes

## Toll Facilities as of 2012



## High-Occupancy Toll (HOT) Lanes as of 2012



For more information, see the NCSL tolling page at <http://www.ncsl.org/default.aspx?tabid=24511>



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## What Does New Mexico Do?



- Fuel taxes
- Sales taxes on gas or diesel
- Vehicle/rental car sales taxes
- Registration/license/title fees
- Truck weight fees
- Weight-distance tax
- Impact fees
- Interest income



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# State Transportation Funding in 2013 Sessions



In 2013, state legislatures have considered a variety of transportation funding options, from the traditional to the unprecedented ...



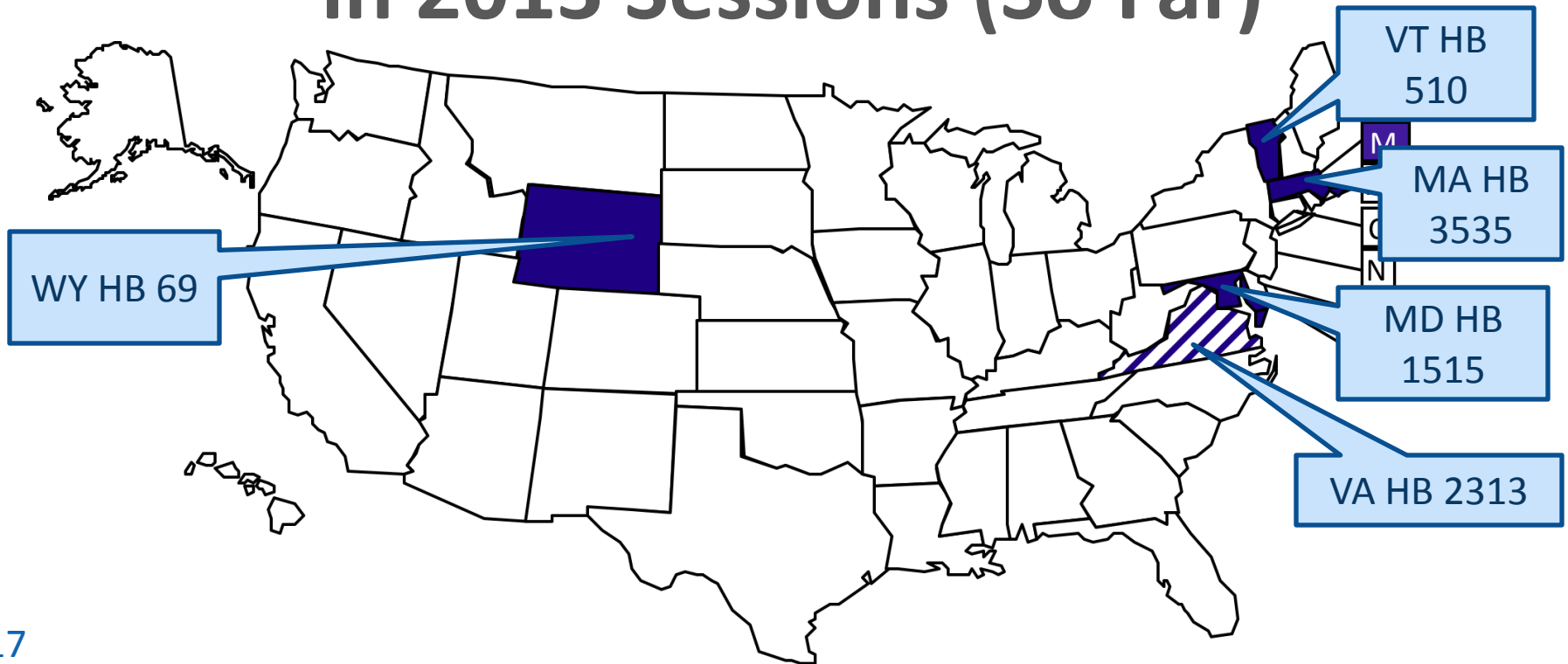


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# Five States Enacted Gas Tax Increases in 2013 Sessions (So Far)





## Gas Tax Alternatives

- Mileage-based user fees (also known as Vehicle Miles Traveled or VMT fees)
- Fees for alternative fuel vehicles or electric vehicles
- Taxes on alternative fuels





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## How Have States Financed Surface Transportation?

**Bonds** **Public Private Partnerships**  
Private Activity Bonds TIFIA Federal Credit Assistance  
**State Infrastructure Banks**  
**Design Build** **GARVEEs**

Note: These tools leverage or borrow against transportation revenues. None of them—including public-private partnerships (PPPs or P3s) —generate new revenues for states.



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## What Does New Mexico Do?



- General obligation bonds
- Revenue bonds
- GARVEE bonds
- State infrastructure bank
- Design-build





## Potential of the PPP Option

- PPPs allow the private sector to take on responsibilities and risks usually undertaken by the state—including financing
- PPPs can help complete large-scale transportation projects by bringing in private dollars to leverage
- BUT the private sector still needs to make a return on investment, usually from taxes, tolls or fees

**So: PPPs themselves do not bring in new money for states (they are *finance*, not *funding*).**

For more information, see the NCSL PPP toolkit at  
<http://www.ncsl.org/default.aspx?tabid=20321>



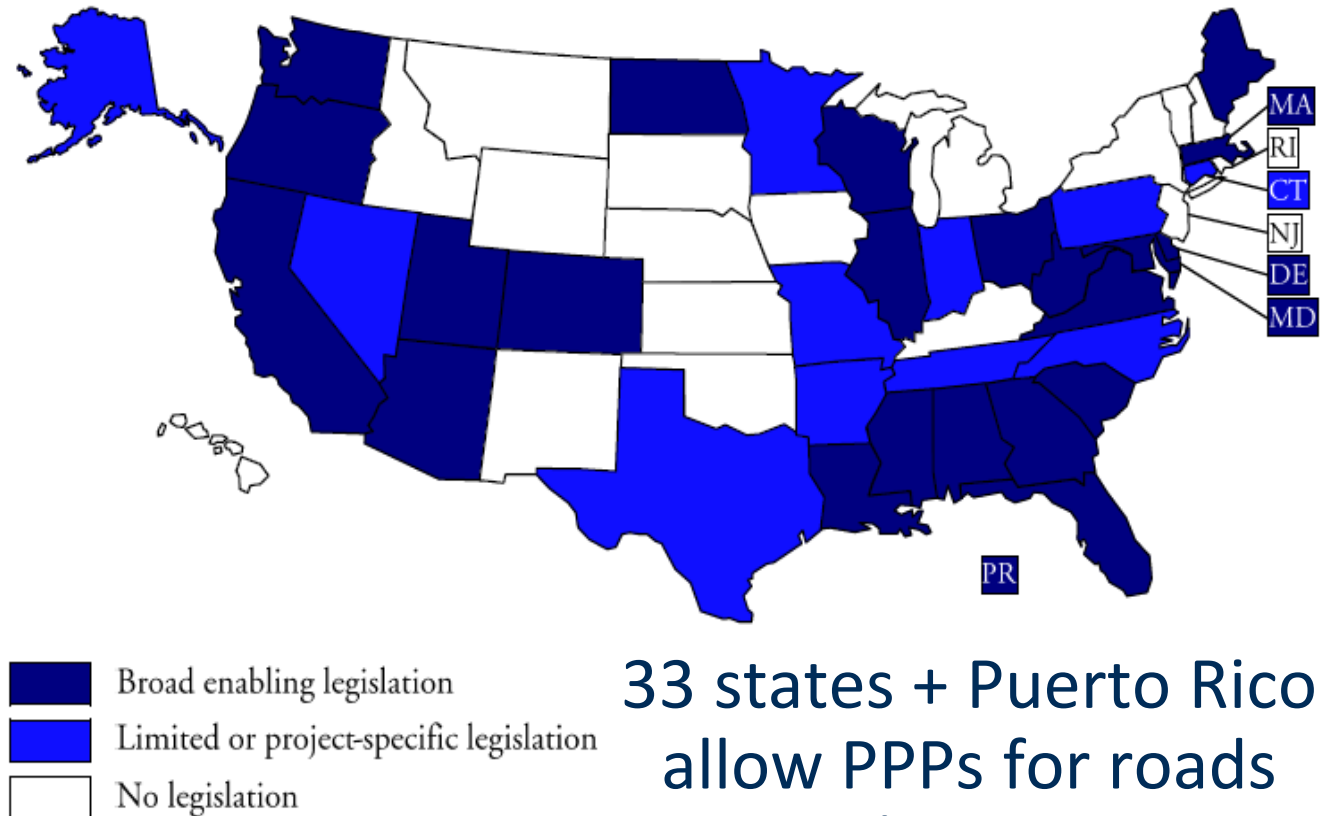
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## PPP Enabling Statutes

NCSL advises that solid, balanced and comprehensive state enabling legislation is the key to thorough consideration of PPP proposals and the protection of the public interest.



33 states + Puerto Rico  
allow PPPs for roads  
and/or bridges



# Other Legislative Options



## Efficiency and Accountability

- E.g., streamlining, consolidation, devolution, reporting requirements, performance management



## Protections on Transportation Revenues

- E.g., constitutional protections on trust funds, bans on transfers or diversions of transportation revenues



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## Contact Details and Resources



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NCSL Transportation Program

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[jaime.rall@ncsl.org](mailto:jaime.rall@ncsl.org)

For details about 2013 bills, see NCSL's online, searchable Transportation Funding and Finance Legislation Database:

<http://www.ncsl.org/default.aspx?TabId=25720>

NCSL is always seeking **public and private funding partners** for collaborative research and outreach initiatives that serve the needs of state legislatures.

Besides **no-cost technical assistance to state legislative entities** upon invitation, we also provide responses to **individual requests for information**.

Please contact us if you're interested.